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By Roger Fontaine  
THE WASHINGTON TIMES

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The Washington Times

WEDNESDAY, JULY 9, 1986 WASHINGTON TIMES

# Cuban debt woes show island sinking

By Roger Fontaine  
THE WASHINGTON TIMES

Cuba has quietly informed foreign creditors that it will not meet a quarterly interest payment on its \$3.5 billion dollar debt due July 1, bolstering a U.S. assessment that the country's economy is failing.

Representatives of the Club of Paris, a forum of the principal Western creditor nations, will meet next week for three days to review Cuba's decision, and representatives from Havana are expected to attend.

Although Havana has requested a delay in payment before — a request denied — and despite Fidel Castro's fiery denunciations of Third World foreign debt, Cuba has always paid on time to preserve its heretofore high credit rating.

Its sudden refusal to honor a debt obligation that is low by Latin American standards will severely hamper its efforts to obtain more Western credits, making it even more dependent on the Soviet bloc, U.S. officials say.

Such a drastic step also highlights the seriousness of Cuba's current economic crisis, one that has nev-

ertheless, U.S. intelligence sources say.

The Soviet Union's stake in the Cuban economy is huge. It is estimated that the Soviets provide \$4.5 billion annually in trade subsidies and development assistance, accounting for 30 percent of Cuban national production. The Kremlin has given its client an estimated \$40 billion in assistance since 1960.

The Soviets pay up to 10 times the world price for Cuban sugar and were selling petroleum to the Cubans at half the OPEC price before prices plummeted this year.

The Russians also provide materials, equipment and advisers for economic projects, which currently include a nuclear power plant and an oil refinery in Cienfuegos, nickel processing plants in the eastern part of the island, and a supertanker port near Havana.

Havana is Moscow's biggest aid recipient, taking more than half of Moscow's total aid package to the Third World. The aid has leveled off in the last five years, however, and U.S. officials think the trend will continue despite Mr. Castro's economic problems.

## CUBA

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But present levels of assistance are still nearly three times higher than a decade ago, and U.S. intelligence analysts believe it is unlikely that Moscow will substantially cut aid to its most reliable ally.

Cuba's difficulties, analysts say, are rooted in poor productivity of its workers as well as continued low prices for its chief exports, sugar and nickel. The economy, particularly the sugar sales, suffered from a devastating hurricane last year, and the drop in the price of oil has badly hurt Havana's hard currency earnings from the resale of Soviet petroleum.

The economy's sluggish performance, in turn, has sparked increasing Soviet criticism of Mr. Castro's often erratic management style, according to analysts.

U.S. intelligence sources say Soviet concern about Cuba has risen proportionally with the growing burden from other clients, notably

Angola, Ethiopia and Vietnam, with the Cubans over foreign policy issues.

Soviet officials are also reported to be unhappy about the continued rationing of food and clothing in Cuba, which has gone on for 20 years. In a country blessed with much arable land and a year-round growing season, the turn from abundance to rationing is a major embarrassment for socialism.

Havana has tried to meet some of Moscow's demands. Mr. Castro in recent speeches, for example, has called on Cuban workers to make greater efforts and to accept even more austerity. He has also made some personnel changes in economic ministries, replacing party hacks with younger, more technically qualified managers.

Nevertheless, analysts here believe the Cuban leader will not fundamentally change course. Nor do they think that Mr. Castro's recent closing of the free peasant markets and his calls for workers to produce more with fewer material incentives will impress Cuba's Western creditors.

Soviet pressure increased two years ago when a high-level Russian delegation scolded the Cubans for spending hard currency on Western imports. The Soviets insisted that purchases from the West be approved by Moscow and then be made only as a last resort, these sources say.

Last year, Moscow informed Havana of its intention to assume greater control over Cuban investment decisions, leading analysts to believe that Cuba will be forced to concentrate on mining and agriculture.

Moscow is also nettled over Cuba's failure to meet trade and delivery commitments to the Soviet bloc. Sugar shipments reportedly have been undersized and deliveries have been late, and the Soviets may have pressured Cuba for the sugar by threatening to reduce oil subsidies, intelligence analysts say.

Cuba depends on the Soviet Union for 95 percent of its oil, which in turn accounts for nearly all of Cuba's energy production. The last time the Soviets delayed oil deliveries was in

1967, after repeated differences increased Soviet pressure with delay tactics, and by creating informal groups directly subordinate to himself — a possibility that holds the promise of an even more erratic management of the Cuban bureaucracy.

One sign that Mr. Castro will not abandon his pet high-technology economic projects — despite Soviet objections — is his decision to consolidate the electronics industry into one ministry.

As further evidence of his defiance, intelligence sources cite the fact that Mr. Castro placed one of his closest associates, Ramiro Valdes, a former minister of the interior, in charge of the electronics industry. As a career secret policeman, Mr. Valdes knows next to nothing about electronics.

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